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Product Brief

Austrian Organic Food Market

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Report Highlights:
In 2001, a program was implemented to boost organic farming. It is intended to increase the share of organic products from 3% currently to 10% in the long term. Relatively large quantities of organic fruits and vegetables are imported.

Includes PSD changes: No
Includes Trade Matrix: No
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Austrian Organic Food Market

Summary

Between 1998 and 2000, the number of organic farmers declined somewhat. A program implemented in 2001 is expected to counter this trend. In addition, BSE problems and hog medication scandal has increased the demand for organic beef and pork, which should positively affect organic farming. It is intended to increase the share of organic products from 3% currently to 10% in the long term. Relatively large volumes of organic fruits and vegetables are imported each year. End summary.

Organic Production

Around 9% of Austria's 210,000 farms are organic, which manage 8% (272,000 ha) of the total agricultural area. Within the EU, Austria is considered leader in organic agriculture.

As not all organic farmers participate in the organic government program (minimum area 2 ha, hard sanctions with violations), the supported area is with 250,000 ha considerably lower. The major share are meadows and pastures whereas the organic area under plough is only about 60,000 ha.

From 1980 - 1998, organic farming gained quickly importance due to substantial government support. In this period, the number of organic farms rose rapidly from 2,000 - 20,000. However, in the following two years, the number dropped to 18,700. Many farmers regarded labor intensive organic production not profitable enough compared to less restrictive "ecological" farming. To counter this trend, the Agricultural Minister Wilhelm Molterer implemented the so called "bio-action program", which includes more support for organic farming, marketing, and research. In addition, organic agriculture will be taught in all agricultural schools. The goal is to increase the planted area by 50% and to sell all organically produced milk as such within five years. (So far, only 65% of organically produced milk is sold marked as organic; due to insufficient demand, the rest can only be sold as conventional milk at a lower price.)

In Austria there are several organic associations. In addition to the normal organic EU regulations, their members have to comply with additional, sometimes esoteric requirements. A large share of organic farmers are so called "codex farmers". They do not belong to any association but comply with organic EU regulations.

Due to its small structure, domestic agriculture is not competitive when it comes to mass production. However, agricultural interests believe that Austrian organic products can sell well if marketing is improved.

Prices

The relationship between supply and demand varies considerably among products. For the fresh milk and beef sectors the supply is still larger than the requirement, which is reflected by the small difference between organic and conventional prices. However, the high demand for organic hog and poultry, as well as organic fruit and vegetables, results in relatively high prices for these products. With beef, flour, and eggs, the price difference is about one third.

Domestic Market

Total turnover for Austrian food retailers is estimated at around Euro 12.3 billion of which about Euro 390 million is organic. The largest supermarket chain, Billa, has also the largest turnover (Euro 167 million) in organic products. About Euro 30 million are estimated for direct on farm sales of organic products and the rest accounts for sales in other supermarket chains, shops, and special natural food stores.

Special natural food stores achieved a turnover increase of 20% in 2000 and a further rise by 30% is expected for 2001. It is believed that European BSE problems and the Austrian hog scandal turned many consumers to shop at natural food stores. Organic associations regard prospects for these shops as promising. The number of natural food shops will increase considerably from 200 currently. In the long run, organic associations in cooperation with the Agricultural Ministry want to increase sales of organic products from 3% currently to 10%.

The Share of Organic Products of Total Sales and Price Difference of Organic Products Compared to Conventional Products in Retail Trade

Commodity	Quantity in %	Value in %	Price diffe-rence in %
Sour milk products & creams	7.1	7.8	+11.1
Milk	8.0	9.5	+20.2
Cheese	3.8	4.6	+21.5
Butter	5.5	6.3	+16.3
Fruit yoghurt	5.5	6.2	+13.6
Potatoes	10.8	15.7	+52.7
Frozen Fruits & Vegetables	3.1	4.0	+33.0

Main buyers of organic products are health conscious and for whom ecology and environment are important. The generally are well educated and are likely to be urban, young, upper class women.

In polls, a larger number of consumers usually indicate interest in organic foods and readiness to pay a higher price. However, when it comes to actual buying, price becomes a more decisive role.

In recent years, organic foods have gained market share with institutional buyers. For instance, in Vienna, all municipality hospitals use organic products.

Marketing Channels

Supermarket chains purchase organic foods from organic marketing organizations, processing industry, wholesalers/importers, and special organic food wholesalers/importers. In addition, they carry out imports. Smaller shops and specialty "natural shops" buy from farmers, organic marketing organizations, wholesalers/importers, and special organic food wholesalers/importers.

Trade

Main export items are dairy products, particularly cheeses. In addition, beef and some other meat products are exported and the primary export market is Germany. Main imports are grains, vegetables, and fruits. They come from EU countries, particularly Mediterranean regions and Central Europe where they are frequently grown under contract. In addition, processed foods such as organic cookies and cereal bars, which account for a large share of organic products by value, are imported.

U.S. Opportunities

Among organic U.S. products, tree nuts, rice, dried fruits, and cereal and fruit bars have the best chances on the Austrian market.

Import Requirements

a. Import License

If a U.S. producer or trader wants to export to Austria, he has to find an importer. The interested importer must apply for an import license at the office of the provincial governor. In the application, the importer has to indicate what kind of organic product he wants to import, the quantity (partial consignments are possible), date or period of arrival(s), origin, etc. In addition, the application has to be accompanied by the following documents:

-- Certificate of the U.S. monitoring organization which controls the organic producer and/or processor and certifies that the product in question is produced according to EU regulation 2092/91.

-- If the monitoring organization is not accredited according to EU norm EN 4511 or according to ISO/EC Guide 65:1996, an official document concerning the monitoring organization is required. The document of an official U.S. agency has to prove that the monitoring organization is operating according to EN 4511 or according to ISO/EC Guide 65:1996. Certification can be in English.

B. Other Documents

If the importation of the product is permitted, it can be imported into the federal province for which the importer had applied. However, from there it can be distributed to other areas.

If the product to be imported already requires an import license from “Agricultural Market Austria” in the non-organic form (e.g. grain), then also an import license is required from this agency.

In addition to organic certificates shipments of organic products have to be accompanied by normal phyto-sanitary or veterinary certificates. Organic products are subject to normal customs tariff.

Products on the Austrian market must be labeled in German. However, labeling can be done in Austria with stick on labels.